

M e m o r a n d u m

To: Panel Members Date: September 26, 2001

From: Charles Rufo, Manager
Peter DeMauro, General Counsel File: area-truck-2-130agr

Subject: One-Step Agreement for **Area Truck Driving School**
www.areatruckdrivingschool.com

CONTRACTOR:

- Multiple Employer: Training Agency
- Training Project Profile: Job Creation : Training of Unemployed Workers
- Legislative Priorities: Displaced / Potentially displaced workers
- Type of Industry: Transportation
- Repeat Contractor: Yes
- Union Representation: Yes
- Name and Local Number of Union representing workers to be Trained: Teamsters Union Local 287

CONTRACT:

- Program Costs: \$360,000
- Substantial Contribution: \$0
- Multiple Employer Support (8%) \$23,000
- Total ETP Funding: \$383,000
- In-Kind Contribution: \$260,740
- Maximum Contractor Charge: N/A per trainee
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Statewide
- Duration of Agreement: 24 Months

SUBCONTRACTORS:

None.

THIRD PARTY SERVICES:

None.

ACTIVE PROJECTS:

The following are current project statistics:

Agreement No.	Term	Agreement Amount	Number To be Retained	Number Enrolled	Number Completed Training	Number Hired (Complete for new hires only)	Number retained for 90 days
New-Hire ET00-0167	11/29/1999- 11/28/2001	\$766,000	200	221	206	206	126

Comments: These statistics are based on ETP records, and on data provided by the Contractor. To date, the Contractor has earned \$478,750. The Contractor's representative states that at the end of the term in late November, an estimated 190 trainees will have completed the retention period in full-time, year-round employment, for a success record of 95 percent. The estimated earnings will be \$727,700.

NARRATIVE:

This would be the second self-referred project between the Employment Training Panel and Area Truck Driving School.

This project will use funds to foster job creation for individuals who are unemployed and have established an unemployment insurance claim in this state, or have exhausted eligibility for unemployment insurance benefits from this state within the previous 24 months.

Founded in 1994, Area Truck Driving School (ATDS) has three campuses – in Modesto, Stockton and Santa Clara (Headquarters) – all three of which will participate in this proposed training program. The mission of the school is to place students in the trucking industry as drivers who can safely and efficiently operate various types of tractor-trailers. ATDS provides trainees with these skills and knowledge necessary to understand the Federal Department of Transportation regulations, and to meet the requirements for a Commercial Driver License. All three campuses are approved by the State of California's Bureau for Private and Postsecondary and Vocational Education (BPPVE).

Area Truck Driving School is proposing a 240-hour all-classroom/laboratory training program to train 100 individuals (current California Unemployment Insurance recipients or recent exhaustees) as truck drivers, and to place them in full-time, year-round jobs. Training will take place at the school's three sites. All instruction and administration will be the sole responsibility of Area Truck Driving School.

NARRATIVE: (continued)

Employer Demand:

On the national level, the Federal Bureau of Labor Statistics reports truck driving to be one of the ten occupations with the largest growth potential, through 2006. According to the State of California Occupational Guide, truck driving is an occupation growing, based on employer demand, with a projection of 43,350 additional drivers needed through 2005 in California. The need is expected to grow to approximately 80,000 jobs by 2008.

Specific to this training proposal, officials at ATDS have submitted a list of 12 participating employers in the core group, representing a demand for a total of 93 truck drivers. Because the demand is growing, ATDS officials expect the number of participating employers to grow as the training program progresses, to the point where the 100 trainees proposed in this project will be insufficient. ATDS therefore anticipates that an amendment will be necessary to expand the scope of the project, as was the case with the school's first ETP training project.

Marketing Plan for Recruitment of Employers:

ATDS works closely with the local and interstate trucking companies that employ entry-level truck drivers. According to ATDS representatives, the school's placement staff responds to newspapers job openings and speaks directly to the representatives of local area companies that have an interest in finding and hiring new drivers. Staff members also encourage company recruiters to visit ATDS campuses to meet students and provide them with information about the industry's job market.

ATDS's marketing and advertising include but are not limited to local newspapers, special trade magazines, website, yellow pages, trade shows, television, and direct mail. The school also looks for more potential employers via referrals from the California Employment Development Department (EDD).

Employer Eligibility for Funding:

Area Truck Driving School has provided a list of the core group of employers. The California Employer Account Numbers (CEANs) for these companies indicate conformity with ETP's eligibility requirements.

Employer Participation in Development of Curriculum:

Local area employers who have employed recent ATDS graduates participate in the development of the training by reviewing drafts of the curriculum, and providing relevant feedback. ATDS officials are then able to customize the curriculum allowed by current regulations and industry standards to meet the companies' needs.

ATDS's curriculum satisfies guidelines of the American Trucking Association, the California Trucking Association, the Professional Truck Drivers Institute of America, and local labor unions. It also meets the requirements of the California Highway Patrol Bi-Annual Inspection Program, and of the regulations and Federal guidelines set forth by the Department of Transportation. The curriculum content provides all the information needed to meet the requirements for a commercial driver license.

NARRATIVE: (continued)

Method to Ensure Continuous Participating Employer Feedback:

As students go out into the job market, ATDS follows their progress with employers. The information is used as feedback for making adjustments and improvements to ATDS's training, to ensure that employers receive quality truck driver graduates. In addition, when company recruiters visit ATDS, ATDS staff members speak to them to obtain information on how well prepared recent graduates have been for the job.

Area Truck Driving School officials state that they are in the process of forming a consortium from the current core group of employers, to help determine employers' needs. ATDS expects that a formal meeting structure will enable more direct input and feedback concerning ATDS training. Meetings will consist of graduate assessments, driving safety information, trucking industry developments, and to address changes or adjustments needed by the employers.

Justification of High Cost

ETP reimbursement for training will exceed the ETP average cost per trainee of \$2,840. The cost to train new-hire trainees totals \$3,830 for 240 hours of training at the \$15.00 per hour new-hire reimbursement rate. Based on Area Truck Driving School's placement records for its previous ETP project (ET00-0167), wages for truck drivers have demonstrated a significant wage progression within one year after graduation and placement. The figures below are divided according to the three geographical areas of California in which ATDS has campuses:

	Hourly Wage	Hourly Wage	After One Year	
	<u>Non-Union</u>	<u>Union</u>	<u>Non-Union</u>	<u>Union</u>
Sacramento Area	\$11.87	\$16.40	\$12.98	\$18.32
San Jose Area	\$14.12	\$17.28	\$15.78	\$19.14
Stockton Area	\$11.00	\$14.36	\$12.30	\$16.15

In the non-union category, hourly wages have increased from an average of \$12.33 to an average of \$13.69 during the first year of employment, an increase of 11.0 percent. For the union members, the increase in wages is from an average of \$16.01 per hour to an average of \$17.87, or 11.6 percent, during the first year.

Supplemental Nature of Training

All training under this program is for new hire, unemployed individuals who will be placed in full-time, year-round employment in California, upon completion of their training. Therefore, the training is supplemental.

In-Kind Contribution

Area Truck Driving School estimates that it will spend approximately \$179 on each student, for Department of Transportation (DOT) physical exams, Drug Screening tests, Department of Motor Vehicles (DMV) licensing tests, and books and supplies for each student, totaling approximately \$17,900.

NARRATIVE: (continued)

ATDS officials state that each graduate will also be given job placement assistance, including creation of resumes, setting up interviews for the client with potential employers, faxing applications as well as the use of computers for Internet applications, costing approximately \$25 per student, for \$2,500 in additional funds.

Finally, Area Truck Driving School officials state that graduates receive additional training from their employers upon placement. The length of the training ranges from 2 to 8 weeks for new hires, depending on the types of materials that are handled or types of trucks being driven, as well as route sequences that may need extensive on-the-road instruction. Furthermore, the DOT requires employers of truck drivers to conduct periodic training sessions and/or workshops with all drivers. Training includes subjects such as industry safety, up-dates on changes in regulations, and specific employer training. ATDS officials estimate that the total cost of this additional training will be approximately \$200,000 for the core group of participating employers in this training project.

The contribution from Area Truck Driving School will be approximately \$20,400, as described above, and from the core group of participating employers will be \$200,000, for a total contribution of \$220,400.

COMMENTS:

Teamsters Local 287 in San Jose has provided a letter of union support for the proposal.

Trainees hired by one of the twelve employers in the core group – Alpine Distribution Services of Lathrop in San Joaquin County – will work in an area with an unemployment rate exceeding the state average by at least 50 percent. According to labor force data compiled and released by the California Employment Development Department (EDD), the unemployment rate in San Joaquin County is 8.6 percent (as of July 2001). The statewide rate is 4.9 percent. The applicant is not requesting any waiver of ETP's minimum wages.

Due to the nature of the occupation, for which growing employer demand exists (based on continuing growth in the industry), trainees who complete and seek employment may accept a related job offer anywhere in California, with qualified participating employers beyond the current core. The counties served are therefore stated as "statewide," and the various ETP minimum wages for all California counties are stipulated in the Agreement.

Trainees in this program are required to pass the DMV test, before employment placement and the 90-day retention period can begin. Any trainee who does not pass the DMV test, or who requires more than one attempt to pass the test, so that the 90-day retention period is not completed within the Agreement term, will not be reimbursed by ETP.

Officials of Area Truck Driving School have submitted the following annual employee turnover rates for the participating employers in the core group, for calendar year 2000:

ACI Distribution	2%	Alpine Distribution Services	9%
Black Star Motor Express, Inc.	8%	Central Freight	14%
Con-Way Western Express	10%	D.J. Sluga Trucking, Inc.	1%
Emery World Wide	4%	G. I. Trucking Company	10%
Manhattan Transportation, Inc.	4%	3 Way Trucking	10%
Total Transportation Enterprises, Inc.	4%	Viking Freight, Inc.	7%

COMMENTS: (continued)

In sum, turnover rates for the core group of employers range from 1 percent to 14 percent at the employer sites where new hire trainees will be placed.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement if the project meets Panel priorities and the high cost per trainee is justified by the number of training hours. The cost per trainee is consistent with recently approved ETP new-hire truck driver training projects that had costs of ranging from \$2,872 to \$4,309 per trainee, with an average cost of \$3,351 per trainee. This recommendation is based on the fact that Area Truck Driving School will provide 100 currently unemployed individuals with the skills to attain full-time, well-paying jobs in a specialized industry and occupation, as Truck Drivers.

TRAINING PLAN:

Group / Trainee Type	Types of Training	No. to be Retained	No. Class / Lab Hrs.	No. SOST Hours	Cost Per Trainee	Hourly Wage after 90 days
1 New Hire	Commercial Skills: Truck Driver Training	100	240	0	\$3,830	\$11.00 - \$17.28
Wages After 90-Day Retention: <u>Occupation</u> <u>Wage Range</u> Truck Driver \$11.00 - \$17.28 Health Benefits used to meet ETP minimum wage: N/A			Range of Hourly Wages: \$11.00 - \$17.28			
			Prevalent Hourly Wage: \$12.03			
			Average Cost Per Trainee: \$3,830			

Training Data									Payment Schedule					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Job	Occupations	Type of Training	No. Retain	Cls/Lab Video-conf. Hours	CBT Hours	SOST Hours	Cost Per Trainee	Total SOST Trainer Hrs.	Hrs. to Enroll/Pay 1 Enroll	Pay 2 Compl	Pay 3 Hired	Pay 4 After 90 Days	Wage After Retention	
1	Truck Drivers	Multiple-Employer New Hire	100	240			\$3,830		8	\$957.50	\$957.50	\$957.50	\$957.50	\$11.00 - \$17.28
687		Commercial Skills		240										

Contract Totals

Program Cost		\$360,000	Total to be Retained	100
Substantial Contribution	(-)	\$0		
Multiple-Empl. Support	(+)	\$23,000		
TOTAL ETP Funding	(=)	\$383,000		

Turnover Rate	% of Mgrs. & Sups. to be trained	Health Benefits Inc. in Wage?
20.0%	0.0%	No

Location of Training: All training will be conducted at Area Truck Driving School sites in Sacramento, Santa Clara, and Stockton, California.

Ratios: The ratio of trainers to trainees for class/lab and videoconference training shall not exceed 1:15 for new hires.

If Health Benefits is YES, please explain: N/A

Other Notes: